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WADE C. TEASDALE
CHIEF OF STAFF

California State Senate

SENATOR
BILL MORROW

THIRTY-EIGHTH SENATORIAL DISTRICT



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LEGISLATIVE AUDIT

June 15, 2005

Commissioner Dian M. Grueneich
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Support for Peevey Alternate Decision, DWR Cost Allocation

Dear Commissioner Grueneich:

I am writing regarding the California Public Utilities Commission's (CPUC) reconsideration of its earlier decision to allocate a disproportionate share of California Department of Water Resources electricity contract costs to ratepayers in the San Diego Gas and Electric (SDG&E) service area.

On behalf of those ratepayers, I urge your support for President Peevey's Alternate Decision that would reduce the cost shift from the proposed \$791 million to the \$422 million recommended by SDG&E in the petition for modification.

Thank you for your thoughtful attention to this request. I have attached a copy of a joint letter to the CPUC commissioners on this matter - dated January 2005 and signed by members of the San Diego County/South Orange County legislative delegation.

In addition, please accept my congratulations on your appointment to the CPUC. I am aware that you have great challenges before you. Please know that I am always available to assist you in any way possible.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Morrow".

BILL MORROW
Vice-Chairman
Senate Committee on Energy, Utilities and Communications



PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
505 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

DIAN M. GRUENEICH
COMMISSIONER

TEL: (415) 703-2444
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June 28, 2005

The Honorable Bill Morrow
California State Senate
State Capitol, Room 4048
Sacramento, CA 95814

Dear Senator Morrow:

Thank you for your recent letter regarding San Diego Gas and Electric's petition to modify Commission Decision 04-12-014, the permanent allocation methodology for the Department of Water Resources revenue requirement and urging me to support President Peevey's alternate decision. Today, the Commission adopted President Peevey's alternate decision and I supported that alternate. This decision addresses how to allocate to the various utilities the costs of power purchased by the Department on behalf of the utilities during the energy crisis of 2000-01 and how to allocate the costs of the long-term supply contracts that the Department signed during the energy crisis and that have now been assigned to the utilities to assist them in meeting their customers' energy needs. I believe the Commission has reached a fair outcome on this contentious issue.

Thank and for your interest in this matter and for your recent support of my confirmation to the Commission. I look forward to working with you in the future on the many utility matters before the Commission.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dian M. Grueneich".

Dian M. Grueneich